

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

AA-J BREEDING, LLC, a California limited liability company; SU-SIM, LLC, a Nevada limited liability company; and DERBY STAKES, LLC, a Nevada limited liability company;

Plaintiffs,

vs.

Case: 1:07-cv-12849
Assigned To: Ludington, Thomas L
Referral Judge: Binder, Charles E
Filed: 07-09-2007 At 03:22 PM
CMP AAJ BREEDING ET AL V GEOSTAR CO
RP (RRH)

GEOSTAR CORPORATION, a Michigan corporation;
GEOSTAR FINANCIAL SERVICES CORPORATION, a Michigan corporation; GEOSTAR 2003-I DRILLING PARTNERSHIP, a Delaware general partnership; FIRST SOURCE WYOMING, INC., a Delaware corporation; and GASTAR EXPLORATION, LTD, a Texas corporation,

Defendants.

Marc L. Newman (P51393)
Jayson E. Blake (P56128)
The Miller Law Firm, P.C.
Attorneys for Plaintiffs
950 West University Drive, Suite 300
Rochester, MI 48307
(248) 841-2200

COMPLAINT

Plaintiffs AA-J Breeding, LLC, Su-Sim, LLC, and Derby Stakes, LLC, by their attorneys, The Miller Law Firm, and for their Complaint against Defendants, state as follows:

JURIDICTIONAL ALLEGATIONS

1. Plaintiff AA-J Breeding, LLC ("AA-J") is a limited liability company organized under the laws of the State of California, having its principal place of business in Santa Ana, California.

2. Plaintiff Derby Stakes, LLC ("Derby Stakes") is a limited liability company organized under the laws of the State of Nevada, having its principal place of business in Santa Ana, California.

3. Plaintiff Su-Sim, LLC ("Su-Sim") is a limited liability company organized under the laws of the State of Nevada, having its principal place of business in Culver City, California.

4. Defendant GeoStar Corporation is a Delaware corporation with its principal place of business located at 2480 W. Campus Drive, Building C., Mt. Pleasant, MI 48858.

5. Defendant GeoStar Financial Services Corporation is a Michigan corporation with its principal place of business located at 2480 W. Campus Drive, Building C., Mt. Pleasant, MI 48858.

6. Defendant GeoStar 2003-I Drilling Partnership is a Delaware general partnership with its principal place of business located at 2480 W. Campus Drive, Building C., Mt. Pleasant, MI 48858.

7. Defendant First Source Wyoming, Inc. is a Delaware corporation with its principal place of business located at 2480 W. Campus Drive, Building C., Mt. Pleasant, MI 48858.

8. Defendant Gaster Exploration, LTD is a Canadian corporation with its principal place of business in Texas. Gaster Exploration, LTD conducts continuous and systematic business in this District.

GENERAL ALLEGATIONS

9. This case arises out of the default by Defendants GeoStar Corporation, GeoStar Financial Services Corporation, GeoStar 2003-I Drilling Partnership (collectively "GeoStar"), First Source Wyoming Inc., ("First Source") and Gaster Exploration Ltd. ("Gaster") on the terms of their agreements with Plaintiffs.

10. Defendants first defaulted on the terms of their agreements with Plaintiff AA-J Breeding, LLC ("AA-J") in early December 2005.

11. Defendants subsequently defaulted on the terms of their agreements with Plaintiffs Su-Sim and Derby Stakes.

12. Plaintiffs had each initially invested substantial sums of money in Classicstar LLC., ("Classicstar") a horse breeding company and a wholly owned subsidiary of Geostar.

13. Plaintiffs each voted to bifurcate their investments with Classicstar into (1) a Mare-Lease program with Classicstar; and (2) Working Interests in natural gas exploration in Geostar/Gastar ("Bifurcation"). A description of these two programs and the amounts of the investments by the Plaintiffs in these varying deals are described below.

Classicstar Mare-Lease Program

14. The Classicstar Mare-Lease Program allowed investors to lease thoroughbred mares from Classicstar for one breeding season. The resulting offspring became property of the lessee.

15. The lessee under the Mare-Lease Program was also required to enter into an agreement with Classicstar to care for and treat the mares and their foals during the lease period.

16. As a part of the investment in Classicstar, Plaintiffs signed promissory notes for loans from National Equine Lending Company ("NELC"), an alleged independent lender which was actually owned by a relative of the founder and principal of Classicstar, David Plummer. The purpose of the loans was to pay for fifty percent (50%) of the Plaintiffs' participation in the Mare-Lease program.

17. Plaintiffs were encouraged to purchase expensive Mare Lease Programs by obtaining loans with NELC. As an example, Derby Stakes signed two notes with principal amounts of \$1,238,136 and \$843,440 and an interest rate of 6.25%.

18. Though the loans from NELC were similar, one was intended to be short term and one long term. All Plaintiffs' short term loans were paid in full.

19. Plaintiffs were promised that they would not have to make any principal or interest payments on the long-term loans with NELC. David Plummer of NELC claimed that the loans would be paid in full from the proceeds of the sale of the foals. David Plummer also orally promised that if the foals were sold for less than what the Plaintiffs owed on the long term loans with NELC, Classicstar would pay the balance due to NELC.

20. In 2004, David Plummer of NELC and Tony Ferguson of Geostar approached Plaintiffs about participating in a company called First Equine Energy Partners, LLC ("FEEP"). Under the FEEP offering, participants in Classicstar could transfer their ownership of certain foals to FEEP in exchange for FEEP units. Geostar agreed to repurchase the units as a price of \$1 per unit.

21. David Plummer of NELC and Tony Ferguson of Geostar orally promised Plaintiffs that in exchange for participating in the FEEP program, that Plaintiffs were not required to pay the remainder of their loan obligations to NELC.

22. Plaintiffs Derby Stakes and Su-Sim agreed to participate in the FEEP program. Therefore, their loan obligations to NELC were to be paid in full by the FEEP program or Classicstar.

23. In September, 2006, Plaintiffs received notice informing them that they were in default on the terms of their loans with NELC. Around the same time, Plaintiffs received notice that if they relinquished their FEEP units, NELC would accept their loan obligations as paid in full.

24. Plaintiffs did not begin receiving distributions from Classicstar until the latter part of 2006, although Classicstar issued K-1s for 2005 alleging sizable distributions to those entities.

Gastar Stock

25. The other portion of Plaintiff's investments with Classicstar became converted to working interest in wells drilled by Defendant First Source Wyoming, Inc. in the Powder River Basin in Wyoming (the "Working Interests"). As part of the investment, Plaintiffs were entitled to

convert their Working Interest into stock in Gastar, a wholly owned subsidiary of Geostar, at pre-set prices.

26. Each of the Plaintiffs exercised their option to convert their Working Interests into Gastar stock, based at a price of \$2.00 per share with \$3.00 put.

27. Despite several demands that Geostar provide the Gastar stock, Geostar refused to comply. Instead, Geostar provided Plaintiffs with a "Working Interest Purchase Agreement" that purported to allow Geostar to purchase Plaintiff's Working Interests with terms unacceptable to Plaintiffs.

28. Plaintiffs sent Tony Ferguson of Geostar and David Plummer of NELC numerous letters and emails demanding that Geostar provide AA-J with 1,255,339 unrestricted shares in Gastar, pursuant to the parties' contract.

29. Geostar did not respond until 2006, when they sent Plaintiffs another Working Interest Purchase Agreement (the "Revised Working Interest Purchase Agreement").

30. Plaintiff AA-J accepted this Agreement.

31. By the time Geostar offered AA-J the Revised Working Interest Purchase Agreement, Geostar had defaulted on the terms of the Working Interest Purchase Agreements with Plaintiff Derby Stakes and all of Plaintiff Su-Sim's investments. Geostar promised to provide Revised Working Interest Purchase Agreements for those Companies, but never did so.

32. The terms of the Revised Working Interest Purchase Agreement with AA-J provided that in consideration for receiving AA-J's Working Interest, Geostar would pay to AA-J the sum of \$2,659,504. Geostar agreed to pay \$300,000 upon execution of the Revised Working Interest Purchase Agreement, with the remainder paid in equal installments over the following thirty-six (36) consecutive months, accruing interest at 6.5% per annum.

33. The Revised Working Interest Purchase Agreement also provided for a 5% penalty to be added to each payment thirty (30) days past due.

34. The Revised Working Interest Purchase Agreement with AA-J was executed in March 2006. Geostar made its initial disbursement of \$300,000 to AA-J on May 3, 2006. Geostar has failed to make its scheduled payments since June 2006. The amounts unpaid exceed \$2.3 million, plus accrued interest.

PLAINTIFFS' INVESTMENTS

35. Each of the Plaintiffs invested different amounts in Defendants' business ventures, as set forth below.

Su-Sim's Investments

36. After the Bifurcation, Su-Sims' position for its 2001 investment of \$7,821,000 was as follows:

- a. Fifteen percent (15%), in the amount of \$1,583,733, was for the mare lease program with Classicstar;
- b. Eighty-Five percent (85%), in the amount of \$6,647,850, was for a Working Interest. Based on Su-Sim's agreement with Geostar, the Working Interest should have been converted to Gastar stock entitling Su-Sim to 3,323,925 shares in Gastar.
- c. The Put to sell Gastar stock was \$3 Per Share, totaling \$9,971,775.

37. After the Bifurcation, Su-Sim's position for its 2002 investment of \$4,082,490 was as follows.

- a. Twenty-Five percent (25%), in the amount of \$1,020,623, was for the mare lease program with Classicstar;
- b. Seventy-Five percent (75%), in the amount of \$3,061,868 was for a Working

Interest. Based on Su-Sim's agreement with Geostar, the Working Interest should have been converted to Gastar stock entitling Su-Sim to 1,530,934 share in Gastar.

- c. The Put to sell the above mentioned Gastar stock was \$3 per Share = \$4,592,802.

38. After Bifurcation, Su-Sim's position for its 2003 investment of \$6,061,613 was as follows.

- a. Twenty-Five percent (25%), in the amount of \$1,515,403, was for the mare lease program with Classicstar;
- b. Seventy-Five (75%), in the amount of \$4,546,210 was for a Working Interest. Based on Su-Sim's agreement with Geostar, the Working Interest should have been converted to Gastar stock entitling Su-Sim to 2,273,105 shares in Gastar.
- c. The Put to sell the above mentioned Gastar stock was \$3 Per Share = \$6,821,523.

AA-J's Investments

39. After Bifurcation, AA-J's position for its \$3,586,682 investment was as follows:

- a. Thirty percent (30%), in the amount of \$1,076,005, was for the mare lease program with Classicstar;
- b. Seventy percent (70%), in the amount of \$2,510,677, was for a Working Interest. Based on AA-J's agreement with Geostar, the Working Interest should have been converted to Gastar stock entitling AA-J to 1,255,339 shares in Gastar.

- c. The Put to sell the above mentioned Gastar stock was \$3 Per Share = \$3,766,016.

Derby Stakes Investment

40. After Bifurcation, Derby Stakes' position for its \$2,476,271 investment was as follows.

- a. Thirty percent (30%), in the amount of \$742,881, was for the mare lease program with Classicstar;
- b. Seventy percent (70%), in the amount of \$1,733,390, was for a Working Interest. Based on Derby Stakes' agreement with Geostar, the Working Interest should have been converted to Gastar stock entitling Derby Stakes to 866,695 shares in Gastar.
- c. The Put to sell Gastar stock was \$3 Per Share = \$2,600,085.

COUNT I – BREACH OF CONTRACT AS TO AA-J BREEDING

- 41. Plaintiffs incorporate by reference all preceding paragraphs.
- 42. Plaintiff AA-J Breeding had a contract or contracts with one or more of the Defendants as set forth above.
- 43. Defendants breached the contract(s).
- 44. As a proximate cause of Defendants' breach, Plaintiff has been damaged.
- 45. The nature of Defendants' breach is material and substantial, thereby entitling Plaintiff to accelerate any indebtedness.

WHEREFORE, Plaintiff AA-J Breeding requests entry of a Judgment against Defendants for whatever amount Plaintiff is found to be entitled, plus interest, costs and attorneys' fees.

COUNT II – BREACH OF CONTRACT AS TO SU-SIM

- 46. Plaintiffs incorporate by reference all preceding paragraphs.

47. Plaintiff Su-Sim had a contract or contracts with one or more of the Defendants as set forth above.

48. Defendants breached the contract(s).

49. As a proximate cause of Defendants' breach, Plaintiff has been damaged.

50. The nature of Defendants' breach is material and substantial, thereby entitling Plaintiff to accelerate any indebtedness.

WHEREFORE, Plaintiff Su-Sim requests entry of a Judgment against Defendants for whatever amount Plaintiff is found to be entitled, plus interest, costs and attorneys' fees.

COUNT III – BREACH OF CONTRACT AS TO DERBY STAKES

51. Plaintiffs incorporate by reference all preceding paragraphs.

52. Plaintiff Derby Stakes had a contract or contracts with one or more of the Defendants as set forth above.

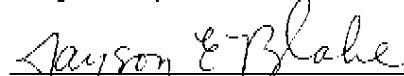
53. Defendants breached the contract(s).

54. As a proximate cause of Defendants' breach, Plaintiff has been damaged.

55. The nature of Defendants' breach is material and substantial, thereby entitling Plaintiff to accelerate any indebtedness.

WHEREFORE, Plaintiff Derby Stakes requests entry of a Judgment against Defendants for whatever amount Plaintiff is found to be entitled, plus interest, costs and attorneys' fees.

Respectfully submitted,



Marc L. Newman (P51393)

Jayson E. Blake (P56128)

950 West University Drive, Suite 300

Rochester, Michigan 48307

(248) 841-2200

mln@millerlawpc.com

www.millerlawpc.com

Dated: July 6, 2007

(Rev. 11/04)

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

AA-J BREEDING, LLC, et al

DEFENDANTS

GEOSTAR CORPORATION, et al

(b) County of Residence of First Listed Plaintiff Santa Ana, California
(EXCEPT IN U.S. PLAINTIFF CASES)

County of Residence of First Listed Defendant Isabella County, Michigan
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED

Attorneys (If Known)

(c) Attorney's (Firm Name, Address and Telephone Number)

Marc L. Newman (PS1393) Jayson E. Blake (PS6128)
The Miller Law Firm, P.C.

300 W. University Dr, Ste. 300, Rochester, MI 48307 (248) 841-2200

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- ☐ 1 U.S. Government Plaintiff
☐ 2 U.S. Government Defendant
☐ 3 Federal Question U.S. Government Not a Party
☒ 4 Diversity (Indicate Citizenship of Parties in item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- Citizen of This State ☐ 1 ☒ 5/4 Incorporated or Principal Place of Business in This State ☐ 4 ☒ 4
Citizen of Another State ☐ 2 ☐ 2 Incorporated and Principal Place of Business in Another State ☒ 3 ☐ 5
Citizen or Subject of a Foreign Country ☐ 3 ☐ 3 Foreign Nation ☐ 6 ☐ 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 161 Maritime Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veterans' Benefits <input type="checkbox"/> 160 Stockholders' Suits <input checked="" type="checkbox"/> 190 Other Contract <input type="checkbox"/> 191 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury—Med. Malpractice <input type="checkbox"/> 363 Personal Injury—Product Liability <input type="checkbox"/> 364 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 615 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Other	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Other
REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 250 All Other Real Property	CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Conditions	LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 750 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	SOCIAL SECURITY <input type="checkbox"/> 861 NIA (1950) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DWC/DIWW (405(g)) <input type="checkbox"/> 864 SSD Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609

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V. ORIGIN (Place an "X" in One Box Only)

- ☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify) ☐ 6 Multidistrict Litigation ☐ 7 Appeal to District Judge from Magistrate Judgment

(Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

VI. CAUSE OF ACTION

Brief description of cause:

Breach of Contract

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION
☐ UNDER F.R.C.P. 23

DEMAND \$

CHECK YES only if demanded in complaint:
JURY DEMAND: ☐ YES ☒ NO

VIII. RELATED CASE(S) IF ANY

(See instructions):

JUDGE

DOCKET NUMBER

DATE 7/9/07 SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT #

AMOUNT

APPLYING FEE

JUDGE

MAG. JUDGE

PURSUANT TO LOCAL RULE 83.11

1. Is this a case that has been previously dismissed?

☐ Yes

☒ No

If yes, give the following information:

Court: _____

Case No.: _____

Judge: _____

2. Other than stated above, are there any pending or previously discontinued or dismissed companion cases in this or any other court, including state court? (Companion cases are matters in which it appears substantially similar evidence will be offered or the same or related parties are present and the cases arise out of the same transaction or occurrence.)

☐ Yes

☒ No

If yes, give the following information:

Court: _____

Case No.: _____

Judge: _____

Notes :
